

U.S.-Panama Trade Promotion Agreement Market Access Results

Infrastructure and Machinery

Trade and Tariffs

This sector includes various types of large machinery, hand tools, and energy generation equipment.

Infrastructure and machinery products accounted for 5.3 percent of U.S. industrial exports to Panama in 2006, totaling \$115 million. The top U.S. exports in this sector were oil filters, electrical panels, refrigeration compressors, roller bearings, and work trucks. Panamanian tariffs range between zero and 15 percent with an average of 5.1 percent.

Panamanian exports to the United States in this sector totaled nearly \$1.1 million in 2006, or less than 1 percent of Panama's industrial exports to the United States. Top Panamanian exports to the United States were combustion engines, check valves, rolling machine cylinders, and compressed gas containers. The United States' tariffs range between zero and 12 percent, averaging 2 percent. All Panamanian exports in this sector enter the United States duty-free under the Caribbean Basin Economic Recovery Act (CBERA) and Caribbean Basin Trade Promotion Act (CBTPA) tariff preference programs.

Tariff Elimination

Tariffs will be phased-out according to four tariff elimination categories: immediate elimination; linear cuts over five years; linear cuts over ten years; and nonlinear cuts over ten years. Tariff elimination under the nonlinear ten-year staging category will proceed with a 3 percent cut in the tariff in years one and two, a 5 percent cut in years three through six, an 18 percent cut in years seven and eight, and a 19 percent cut each in years nine and ten.

For infrastructure and machinery products, 93.7 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on another 3.5 percent of U.S. exports will be eliminated over five years, and duties on the remaining 2.8 percent of U.S. exports will be eliminated over ten years.

Tariffs on high-value machinery products such as oil filters, electrical panels, refrigeration compressors, and roller bearings will be eliminated immediately upon implementation of the Agreement.

The United States agreed to consolidate all CBERA and CBTPA tariff preferences into the final tariff elimination schedule, therefore all infrastructure and machinery exports from Panama will continue to receive duty-free treatment.

Tools. Panama will eliminate tariffs on 96 percent of U.S. tool exports immediately upon implementation of the Agreement. Tariffs on another 1.7 percent of U.S. exports will be

eliminated over five years. Duties on the remaining 1.4 percent of U.S. exports will be eliminated over ten years.

Energy Equipment. Panama will eliminate tariffs on 99 percent of U.S. energy equipment exports immediately upon implementation of the Agreement. Tariffs on the remaining 1 percent will be eliminated over five years and ten years.

Non-Tariff Barriers

Panama will eliminate its prohibition on the importation of remanufactured infrastructure machinery, as defined in Chapter 4—Rules of Origin, on entry into force of the Agreement.

Government Procurement

The government procurement provisions of the U.S.-Panama TPA guarantee non-discriminatory access for U.S. goods, services, and suppliers of a broad range of public purchasing entities in Panama, including the Panama Canal Authority. The \$5.25 billion expansion of the Panama Canal will offer significant opportunities for U.S. businesses in goods, services, and construction services.